Testimony of
Leo Paul, First Selectman, Town of Litchfield
On behalf of the
Connecticut Council of Small Towns
Before the Appropriations Committee
April 5, 2011

RE: HB-5803 - AN ACT FREEZING STATE AND MUNICIPAL EMPLOYEES' WAGES

The Connecticut Council of Small Towns (COST) ***supports*** **the intent of HB-5803** to give towns greater control over municipal salary levels during periods of high unemployment.

Connecticut's small towns and cities are facing enormous pressure to hold the line on local budget and property tax increases although local pension and benefit costs are escalating at an alarming rate. The big driver of local budgets is negotiated union contracts with both educational and municipal employees – an area over which local government and citizens have little control. An increasingly unmanageable portion of the local union contract budgets are salaries and benefits. Unfortunately, under the current law, towns have very few options with which to negotiate any savings.

To address these concerns, COST has long advocated for changes in our binding arbitration laws to create a more balanced process that ensures that towns can negotiate salary and benefit packages that are fair and consistent with other community needs. Meaningful binding arbitration reform is needed to reduce the financial and administrative burden on small towns and cities.

The original purpose of the binding arbitration laws was to avoid and prevent strikes by public sector employees. It has since morphed into a system that is extremely expensive and unfair to the taxpayers for resolving negotiations.

The major problems are:

1. The system is not really binding arbitration at all. In true binding arbitration each party presents one "best and final" package of all issues. After appropriate review, the arbitrator decides between the two packages. This approach works because it forces each side to come as close as possible to the offer of the other side. The Connecticut system of deciding each issue separately leads to a "one for you, one for him" system that is very costly and encourages extreme game playing in putting together the final offers package. There is little incentive for either side to try to come together.

2. Having three arbitrators under the Connecticut system is a complete waste of money. Management chooses an arbitrator and the union chooses an arbitrator. The two arbitrators then choose a "so called" neutral arbitrator from a state approved list. Since almost every vote on almost every topic is 2-1, with the management appointee voting for the management position and the union appointee voting for the union position, both the management appointed arbitrator and the union appointed arbitrator are really not needed, because we know how they will vote in advance. Using a single arbitrator and a true "best and final" package approach could result in a roughly two thirds cost savings for every arbitration.

3. So-called neutral arbitrators come from what I perceive as a "good old boys" list and are essentially political appointees. All arbitrators should come from a professional and unbiased neutral organization, such as the American Arbitration Association (AAA). AAA-assigned arbitrators should come from outside of the State and have no prior knowledge of the circumstances at issue.

4. Municipalities are not allowed to have a process to reject an arbitration award, but the State of Connecticut is allowed to have a rejection process. Municipalities should be able to use the same process as the State in rejecting arbitration awards; that is, a two-thirds vote of the legislative body.

COST therefore urges lawmakers to address these issues to help prevent steep increases in property taxes as well as municipal employee layoffs.